

## Message Text

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ORIGIN EA-12

INFO OCT-01 ISO-00 SOE-02 AID-05 CEA-01 CIAE-00  
COME-00 DODE-00 EB-08 DOE-15 H-01 INR-10 INT-05  
L-03 NSAE-00 NSC-05 OMB-01 PM-05 ICA-11 OES-07  
SP-02 SS-15 STR-07 TRSE-00 ACDA-12 /128 R

DRAFTED BY EA/TIMBS:ECHESKY:CCH  
APPROVED BY EA/TIMBS:REFRITTS  
EA - MR. HEGINBOTHAM  
EB/ORF/FSE - MR. HART  
-----114109 161650Z /42  
P 161605Z MAY 78  
FM SECSTATE WASHDC  
TO AMEMBASSY JAKARTA PRIORITY

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E.O. 11652:N/A

TAGS: ENRG, ID

SUBJECT: PACIFIC INDONESIA LNG CASE

REFS: A. STATE 113735 B. JAKARTA 5893 C. STATE 118184  
D. JAKARTA 6001 E. JAKARTA 6206

1. AS DISCUSSED IN PARA 3 OF REF A, DOE POLICY OFFICIALS ADVISED COMPANIES THAT THE PROPOSED MODIFICATIONS TO THE PRICE ESCALATOR CLAUSE REFLECT A CONCEPT WHICH APPEARS TO MEET DOE GENERAL POLICY CONCERNS. HOWEVER THE PROPOSED NEW CLAUSE, NOW IN DETAILED NEGOTIATION IN JAKARTA, MUST STILL BE SUBMITTED TO DOE FOR FINAL REGULATORY APPROVAL BY DOE'S ECONOMIC REGULATORY ADMINISTRATION (ERA). (FYI. AS EMBASSY PROBABLY NOW AWARE NO FIGURES WERE PRESENTED BY GOI AND COMPANY REPS IN DISCUSSIONS IN LIMITED OFFICIAL USE

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WASHINGTON ON CONCEPT OF ESCALATOR. THUS, FOR EXAMPLE AN ACCEPTABLE LEVEL FOR THE MAXIMUM ANNUAL RATE OF INCREASE HAS NOT BEEN PROPOSED. END FYI.)

2. THERE ARE A NUMBER OF SPECIFIC DETAILS TO BE ADDRESSED IN THE FINAL SUBMISSION, INCLUDING:

A. DEFINITION OF INDONESIAN CRUDE OIL EXPORT PRICE AND PERIOD OVER WHICH THE PRICE IS CALCULATED:

B. DEFINITION OF CEILING ON MAXIMUM ANNUAL RATE OF INDONESIAN OIL PRICE COMPONENT:

C. CARRYOVER PROVISIONS IF THAT CEILING IS HIT; AND

D. CHOICE OF APPROPRIATE MEASURE OF U.S. ECONOMIC PERFORMANCE FOR CALCULATION.

3. DISTINCTION BETWEEN ROLES OF ERA AND DOE POLICY OFFICIALS MUST BE KEPT IN MIND. ERA OPERATES IN QUASI-JUDICIAL FASHION WITH RESPECT TO LNG APPLICATIONS AND FINAL DECISIONS ARE BASED ON ALL EVIDENCE AND FACTS IN THE RECORD. THUS, POLICY VIEWS EXPRESSED IN REF A CANNOT BIND ERA. ACCORDINGLY, NO PREDICTION OF FINAL REGULATORY APPROVAL CAN BE GIVEN. HOWEVER, DOE POLICY OFFICIALS HAVE INDICATED THE APPROACH OUTLINED IN PARA 2 OF REF A IS GENERALLY CONSISTENT WITH U.S. POLICY OBJECTIVES AND THEREFORE UNLIKELY TO ENCOUNTER SERIOUS REGULATORY OBJECTIONS.

4. IN ADDITION TO THE PRICE ESCALATOR FORMULA, A NUMBER OF OTHER ISSUES MUST ALSO BE RESUBMITTED SUCH AS THE ACCEPTABLE FLOW THROUGH OF INCREASES IN VESSEL CONSTRUCTED LIMITED OFFICIAL USE

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TION COSTS AND SHIPPER'S REQUEST TO RECOVER EQUITY CAPITAL IN THE EVENT OF PROJECT ABANDONMENT OR FAILURE. ALSO, THE SITING ISSUE REMAINS UNRESOLVED AT THIS TIME.

5. ALL ISSUES EXCEPT THE SITING MUST BE RESUBMITTED TO ERA BY JUNE 1, 1978. WHILE A SEPARATE DECISION ON THESE QUESTIONS IS POSSIBLE, ERA MAY CHOOSE TO ISSUE A SINGLE RULING WHICH ADDRESSES ALL THESE QUESTIONS AND THE SITING ISSUE. IN THAT EVENT, A FINAL FEDERAL DECISION IS NOT LIKELY TO BE ISSUED BEFORE LATE SUMMER.

6. COMMENT: IN VIEW OF FURTHER REPORTS ON THE CONVERSATIONS WITH PRESIDENT SUHARTO, MINISTER WIDJOJO (REF E) AND THE PRESENCE OF GAS COMPANY NEGOTIATOR IN JAKARTA, WE ARE NOW INCLINED TO BELIEVE THE GOI RATHER WELL UNDERSTANDS THE PRESENT STATUS. THE ABOVE INFORMATION IS TRANSMITTED FOR YOUR BACKGROUND AND USE AS YOU FEEL NECESSARY TO CLARIFY TO THE GOI THE NATURE OF THE PROCESS STILL TO BE COMPLETED. VANCE

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 jan 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** LPG, NEGOTIATIONS, PRICE CONTROLS  
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**Draft Date:** 16 may 1978  
**Decaption Date:** 01 jan 1960  
**Decaption Note:**  
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**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 20 Mar 2014  
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**Disposition History:** n/a  
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**Document Number:** 1978STATE124014  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** ECHESKY:CCH  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
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**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
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**Reference:** 78 STATE 113735, 78 JAKARTA 6001  
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**TAGS:** ENRG, ID  
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**Type:** TE  
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**Review Markings:**  
Sheryl P. Walter  
Declassified/Released  
US Department of State  
EO Systematic Review  
20 Mar 2014  
**Markings:** Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014